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INITIAL IMPLEMENTATION OF THE
STANDARD PROCUREMENT SYSTEM

Report No. 99-166   May 26, 1999

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Acronyms

AMS	American Management Systems, Inc.
ASD(C^3I)	Assistant Secretary of Defense (Command, Control, Communications, and Intelligence)
DCMC	Defense Contract Management Command
DDP	Director, Defense Procurement
DFARS	Defense Federal Acquisition Regulation Supplement
DFAS	Defense Finance and Accounting Service
DLA	Defense Logistics Agency
DPPS	Defense Procurement Payment System
FAR	Federal Acquisition Regulation
PMO	Program Management Office
SPS	Standard Procurement System

INSPECTOR GENERAL
DEPARTMENT OF DEFENSE
400 ARMY NAVY DRIVE
ARLINGTON, VIRGINIA 22202

May 26, 1999

MEMORANDUM FOR ASSISTANT SECRETARY OF DEFENSE (COMMAND,
                                CONTROL, COMMUNICATIONS, AND
                                INTELLIGENCE)
                        DIRECTOR, DEFENSE PROCUREMENT
                        DIRECTOR, DEFENSE LOGISTICS AGENCY

SUBJECT: Audit Report on the Initial Implementation of the Standard Procurement
              System (Report No. 99-166)

        We are providing this audit report for information and use. We considered
management comments on a draft of this report when preparing the final report.

        DoD Directive 7650.3 requires that all recommendations be resolved promptly.
Comments from the Office of the Assistant Secretary of Defense (Command, Control,
Communications, and Intelligence) were responsive. However, we request that
management provide the date when guidance will be issued. Comments from the
Director, Defense Procurement, and the Defense Logistics Agency comments were
partially responsive. We request additional comments on all recommendations by
July 26, 1999.

        We appreciate the courtesies extended to the audit staff. Questions on the audit
should be directed to Ms. Kimberley A. Caprio at (703) 604-9139 (DSN 664-9139),
e-mail kcaprio@dodig.osd.mil, or Ms. Carolyn R. Davis, at (703) 604-9147
(DSN 664-9147), e-mail cdavis@dodig.osd.mil. See Appendix C for the report
distribution.

David K. Steensma
Deputy Assistant Inspector General
for Auditing

Initial Implementation of the
Standard Procurement System

Executive Summary

Introduction. The Standard Procurement System is an automated information system that, when implemented, will support procurement functions from the receipt of requirements until contract closeout at all DoD procurement organizations. The Standard Procurement System is intended to replace 76 automated procurement systems and additional manual processes. By FY 2002, the Standard Procurement System will serve more than 47,000 users at over 900 DoD procurement organizations. For FYs 1995 through 2005, the life-cycle costs are estimated at $2.9 billion. Operational benefits from the Standard Procurement System, which are estimated at $1.8 billion, should represent a high return on investment when compared to program and contract costs of $433.5 million to procure commercial licenses and support services for the software application. The benefits are to be derived from system modernization, electronic access to shared data, software standardization, and improvements to the procurement process. As of August 1998, the Program Management Office had expended $59 million on the $241 million contract. The Standard Procurement System was derived from commercial computer software originally developed by American Management Systems, Inc., Fairfax, Virginia. We previously issued Inspector General, DoD, Report No. 96-219, "Allegations to the Defense Hotline Concerning the Standard Procurement System," September 5, 1996, which stated that the acquisition strategy increased the risks that the program would not meet the overall objective of a fully functional, DoD-wide, standard procurement system and that user needs might not be met.

Objectives. The overall audit objective was to determine whether the Standard Procurement System achieves mission needs, including the reduction of problem disbursements; the replacement of legacy systems; and the provision of standard policies, processes, procedures, shareable data, and electronic commerce capability. The objectives also included reviewing the Standard Procurement System's capability to meet the goals of the Paper-Free Contracting Initiative. This report addresses the replacement of legacy systems and the provision of standard policies, processes, and procedures. The objective on the Paper-Free Contracting Initiative was not addressed because, although the Standard Procurement System will be paper-free, it will not be fully implemented until September 30, 2001, which is after the January 1, 2000, deadline for compliance with the Paper-Free Contracting Initiative. We also reviewed the adequacy of the management control program as it applied to the overall audit objective. The remaining objectives will be addressed in a future project.

Results. The Standard Procurement System evolutionary software approach, currently does not provide some critical functional requirements to meet user needs or the need to replace legacy systems. In addition, unless an expanded license is obtained, DoD is required to obtain sole-source support over the 30 year life-cycle of the Standard Procurement System. The Standard Procurement System also may not have met the mission need to standardize procurement policies, processes, and procedures. Users of the Standard Procurement System were not receiving adequate training, guidance, and support from the contractor help desk. As a result, DoD organizations may expend about $70 million on separate contracts for

additional customer support and on developing workarounds to make the Standard Procurement System functional. The implementation of the Standard Procurement System was delayed, and DoD is dependent on the contractor for life-cycle support to modify and maintain the system. See Appendix A for details of the management control program.

Summary of Recommendations. We recommend that the Assistant Secretary of Defense (Command, Control, Communications, and Intelligence) establish and implement appropriate guidance on the use of commercial computer software for acquisitions of major automated information systems within DoD. We recommend that the Director, Defense Procurement, require the Program Manager to survey users to identify customer support problems and take steps to improve customer support; evaluate the costs and benefits of obtaining a DoD-wide license with rights to modify and maintain the Standard Procurement System software and documentation, and an option to purchase the source code and appropriate technical documentation; and, if appropriate, renegotiate the Standard Procurement System contract. In addition, we recommend that the Director, Defense Procurement, require the Program Manager to analyze the type and extent of Standard Procurement System workarounds, training, and other support for DoD organizations, then identify and develop a unified contracting strategy to reduce the need for user sites to negotiate separate contracts.

Management Comments. The Assistant Secretary of Defense (Command, Control, Communications, and Intelligence) agreed to issue guidance for the acquisition of commercial computer software in major automated information systems that will address the topics listed in the recommendation. The Director, Defense Procurement, nonconcurred with the recommendations to survey users, to evaluate obtaining a DoD-wide license with additional rights and options, or to renegotiate the contract. Also, the Director, Defense Procurement, disagreed with the need to analyze workarounds, training, and other support, and develop a unified contracting strategy. The Director, Defense Procurement, supported developing accurate life-cycle cost estimates. The Defense Logistics Agency acknowledged past problems with training and the need to clarify program responsibilities. The Defense Logistics Agency partially agreed to evaluate the cost and benefits of obtaining additional license rights and renegotiating the contract. The Defense Logistics Agency also concurred with the need for the Standard Procurement System program management office to be aware of additional support contracts, and suggested that the DoD Components provide funds to the program management office to better integrate user needs.

Audit Response. Comments from the Assistant Secretary of Defense (Command, Control, Communications, and Intelligence) were responsive except for indicating the expected completion dates for the corrective actions. The comments from the Director, Defense Procurement, were partially responsive. We do not agree that the program management office had an effective user feedback mechanism to identify problems with training, guidance, and help desk support. We also do not agree that obtaining additional rights is impracticable. Further, we maintain that workarounds, training, and other support need to be analyzed and a unified contracting strategy developed to avoid duplicate services and inaccurate life-cycle costs. We generally agreed with the comments from the Defense Logistics Agency, and considered them in preparing the final report. We request that the Assistant Secretary of Defense (Command, Control, Communications, and Intelligence) and the Director, Defense Procurement, provide additional comments in response to the final report by July 26, 1999.

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Background

DoD Acquisition of Commercial Items. Public Law 103-355, the "Federal Acquisition Streamlining Act of 1994," January 25, 1994, and Public Law 104-106, the "Clinger-Cohen Act of 1996," February 10, 1996, encouraged and simplified the purchase of commercial items. The laws defined commercial items and made it easier for buying organizations to use streamlined acquisition procedures to acquire commercial items. Encouraging the purchase of commercial items was intended to expedite the acquisition process and reduce costs, rather than develop items according to unique specifications. Federal Acquisition Regulation (FAR) part 12 implemented the Federal Acquisition Streamlining Act by establishing guidelines for the acquisition of commercial items. The use of procedures in FAR part 12 was optional for solicitations issued before December 1, 1995, and mandatory thereafter.[1] Before FAR part 12 was issued, the Defense Federal Acquisition Regulation Supplement (DFARS) 211.70, "Contracting for Commercial Items," provided DoD policy to satisfy requirements, to the maximum extent practicable, through the competitive acquisition of commercial items. DFARS 211.70 and FAR part 12 both encouraged the acquisition of commercial items.

The Standard Procurement System. The Director, Defense Procurement (DDP), initiated the Standard Procurement System (SPS) program in November 1994 to acquire and deploy an automated system to perform all DoD procurement functions, including software installation, training, and all steps necessary to gain user acceptance of SPS. Procurement functions begin with the receipt of a requirement and end with contract closeout. Standard procurement functions include, but are not limited to, acquiring supplies and services by describing requirements; determining the appropriate acquisition method; soliciting and selecting sources; and awarding, reporting, modifying, terminating, and closing out contracts.

According to the Mission Needs Statement, dated February 18, 1997, SPS should:

- replace 76 legacy systems and manual procurement processes,[2]
- provide standard policies, processes, procedures, shareable data, and electronic commerce capability; and
- reduce problem disbursements.

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[1] The final SPS solicitation was issued on October 30, 1995. The contracting officer used clauses implementing FAR part 12 in the final solicitation.

[2] In 1989, the Logistics Management Institute released a study that identified 76 automated information systems supporting DoD procurement organizations. Some of the 76 systems have been canceled or are no longer used. The SPS Program Management Office is preparing 12 major legacy systems for retirement (Appendix B). The 12 legacy systems support 87 percent of the 47,000 users, and the manual processes and other automated systems represent 13 percent.

SPS will serve more than 47,000 users at over 900 DoD procurement organizations by FY 2002. For FYs 1995 through 2005, estimated life cycle and program costs are $2.9 billion. Approximately $1.8 billion in operational benefits should be derived from SPS through system modernization, electronic access to shared data, software standardization, and improvements to the procurement process. Program funding for SPS is estimated at $433.5 million to procure commercial licenses and support services for the software application. Operational benefits from SPS represent a high return on investment when compared to program and contract costs. As of August 1998, the Program Management Office (PMO) had expended $59 million on the $241 million contract.

Responsibility for the SPS Program. The DDP, in the Office of the Assistant Secretary of Defense (Acquisition and Technology), has primary responsibility for the SPS program. Before the SPS program was created, the DoD Procurement Corporate Information Management Council led the SPS effort. The Council originally consisted of eight senior procurement officials from the Military Departments and the Defense Logistics Agency (DLA). On April 7, 1997, the DDP announced the selection of American Management Systems, Inc. (AMS), Fairfax, Virginia, to furnish the procurement software and related services for SPS. The DDP delegated responsibility for managing and deploying SPS to the SPS Program Management Office within DLA. The PMO also monitors contractor performance. Offices in each DoD Component responsible for SPS implementation act as liaisons between SPS user organizations in the DoD Component and the PMO and establish Component-level guidance on configuration control, data migration, interface development, training, site migration, and transition from legacy systems to SPS.

Contract Details. DoD acquired SPS under an indefinite-delivery-indefinite-quantity contract with AMS that included 1 base year and 9 option years. The contract required AMS to provide DoD with Procurement Desktop – Defense, a modified version of the AMS Procurement Desktop commercial computer software[3] that was also available to Federal agencies from the General Services Administration Supply Schedule. The contract required AMS to obtain and deploy the commercially available software, as well as provide related software support and support services, with options for continued maintenance, training, and support for up to 10 years. The contract required the development of software enhancements and modifications to meet DoD functional requirements. Under the contract, DoD obtained software licenses to install, operate, and use SPS software and any enhancements for 30 years for a specified number of

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[3]The Defense Federal Acquisition Regulation Supplement (DFARS) part 252.227-7014, "Rights in Noncommercial Computer Software and Noncommercial Computer Software Documentation," defines commercial computer software as software developed or regularly used for non-Governmental purposes that has been sold, leased, or licensed to the public; has been offered to the public; or will be available for commercial sale, lease or license. According to the DFARS, computer software includes computer programs, source code, and related material that would enable the software to be reproduced, recreated, or recompiled.

users at DoD sites. AMS retained rights to the SPS software application[4] and the source code,[5] as well as all rights to continue the commercial sale and use of the software application.

Incremental Deployment. According to the SPS acquisition strategy, SPS would be delivered in 4 increments of increasing functionality until a total of 299 procurement functions were deployed. Increment 1 included 69 of the 299 functions identified as suitable for testing and deployment to DoD sites that had limited or no automated procurement capabilities (largely Navy sites). AMS delivered Increment 1 in September 1996 and deployed SPS in FY 1997 to 4,748 users at 112 DoD sites (93 Navy sites, 14 Marine Corps sites, 1 DLA site, and 4 other Defense agency sites). Increment 2 was to undergo operational testing while Increment 1 was being deployed; then Increment 2 would be backfitted and deployed to sites that had already received Increment 1, as well as to other sites. This practice would be repeated with each increment. At the end of FY 1998, Increment 2 was to include the receipt of 6,312 licenses and deployment at 151 DoD sites, shown in the following table.

Deployment of Projected SPS Increment 2

	Sites	Licenses
Army	0	0
Navy (including Marine Corps)	123	4,961
Air Force	0	0
Defense Agencies	28	1,351
Total	**151**	**6,312**

DoD received Version 4.1 on September 23, 1998, the final increment, Version 5.0, was scheduled for release in February 1999. However, as of April 30, 1999, Version 5.0 release had been delayed pending decisions on the additional requirements and associated funding. The anticipated future release date is uncertain.

Program Risk Previously Reported

The Inspector General, DoD, performed an audit in FY 1996 in response to Defense Hotline allegations about the SPS acquisition strategy. Report No. 96-219, "Allegations to the Defense Hotline Concerning the Standard Procurement System," September 5, 1996, stated that the SPS acquisition strategy added considerable risk to the program. The risk was added because

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[4]Software applications, such as word processing programs, spreadsheets, and databases, perform the tasks for which people use computers.

[5]Source code is program statements written in a high-level language showing how the program works.

functional requirements were poorly defined, the software required substantial development to achieve full functional capability, user needs may not be met, and proposed costs may be exceeded. The report recommended that the Chair of the Major Automated Information Systems Review Council (renamed the Information Technology Overarching Integrated Product Team [IT OIPT])[6] determine whether the SPS acquisition strategy or an alternative strategy should be used to satisfy later SPS increments. The Assistant Secretary of Defense for Command, Control, Communications, and Intelligence[7] (ASD [C³I]) generally agreed with the recommendation and required the Major Automated Information Systems Review Working-Level Integrated Product Team to assess the SPS software development at each milestone review to minimize program risk.[8]

Objectives

The overall audit objective was to determine whether SPS achieved mission needs, including the reduction of problem disbursements; the replacement of legacy systems; and the provision of standard policies, processes, procedures, shareable data, and electronic commerce capability. The objectives also included reviewing SPS capability to meet the goals of the Paper-Free Contracting Initiative. This report addresses the replacement of legacy systems and the provision for standard policies, processes, and procedures. We did not address the objective on the Paper-Free Contracting Initiative because, although the Standard Procurement System will be paper-free, it will not be fully implemented until September 30, 2001, which is after the January 1, 2000, deadline for compliance with the Paper-Free Contracting Initiative. We also reviewed the adequacy of the management control program as it applied to the overall audit objective. The remaining objectives may be discussed in a subsequent report. Appendix A discusses the scope, methodology, and review of the management control program and summarizes prior audit coverage.

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[6]The IT OIPT is the senior DoD forum for advising the ASD(C³I) on critical decisions concerning major information system programs.

[7]The ASD (C³I) served as the Chair of the Major Automated Information Systems Review Council at the time of this audit.

[8]SPS received Milestone II/IIIB deployment authority of Increment 2, Version 3.5, on November 13, 1997.

Effectiveness of the Standard Procurement System Implementation

The Standard Procurement System (SPS) evolutionary software approach, currently does not provide some critical functions to meet user needs or the mission need to replace legacy systems. Unless an expanded license is obtained, DoD will be required to obtain sole-source support over the 30 year life-cycle of the SPS. Also, SPS may not have met the mission need to standardize procurement policies, processes, and procedures. Further, users of SPS were not receiving adequate customer support. These conditions occurred because:

- DoD guidance on the acquisition of commercial products for major automated information systems was not clear.

- The Director, Defense Procurement, selected an acquisition strategy to purchase commercial computer software that required substantial modifications.

- The SPS acquisition strategy of purchasing commercial computer software limited DoD rights to modify and maintain the software.

- The Director, Defense Procurement, did not develop standard policies, processes, and procedures for using SPS.

As a result, DoD organizations may expend up to $70 million on additional customer support and workarounds[9] have been developed to make SPS functional. The implementation and use of SPS were delayed. In addition, DoD is dependent on the contractor for life-cycle support to modify and maintain SPS. The SPS program is at risk of not meeting the overall objective of a fully functional, DoD-wide, standard procurement system.

SPS Functionality to Meet User and Mission Needs

Successful implementation of SPS requires that mission needs be achieved and the functional requirements of users be met. According to users interviewed during the audit, SPS has not provided some critical functions to meet user needs or the mission need to replace legacy systems.

Establishment of Functional Requirements. According to the SPS acquisition strategy, SPS would provide the functionality necessary to meet user needs and replace 12 existing procurement legacy systems and manual processes. Initially,

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[9]A workaround is a method of accomplishing a task, despite inadequacy in software or hardware, without correcting the underlying problem.

the users of existing DoD procurement systems identified over 700 needed functional requirements. The Procurement Corporate Information Management Council reduced the 700 to 299 "full and known" functional requirements considered necessary to support critical procurement functions without the support of legacy systems. According to a DDP official, the Procurement Corporate Information Management Council reduced the 700 requirements by identifying those requirements needed by all DoD procurement personnel and by eliminating requirements unique to individual Military Departments or DoD procurement activities.

Adequacy of SPS Functional Requirements. We reviewed SPS use at 25 sites where SPS had been deployed (21 at Navy organizations and 4 at other Defense agencies). SPS was operational at 12 of the 25 sites. However, 13 of the 25 sites were not using SPS because of limited functionality. In addition to the 25 Navy and Defense agency sites, we reviewed 2 Army sites and 1 Air Force site. Some requirements identified by users may reflect personal or activity-unique preferences. However, the following are examples of sites where SPS was operational and where users identified critical functional requirements that were not functioning properly or were not included in the 299 SPS functional requirements.

   Navy. SPS has been operational at the Navy Public Works Center, Norfolk, Virginia, since October 1997, and at the Naval Air Warfare Center, China Lake, California, since April 1998. Personnel at Naval Surface Warfare Centers expressed concerns because approximately 97 percent of their procurement actions were purchase card transactions. Neither current nor future versions of SPS will include purchase card capabilities or the ability to track acquisition dollars expended using the purchase card.[10] In a March 10, 1998, memorandum to the Executive Director for Acquisition and Business Management, Naval Air Systems Command users cited program risks and identified 276 critical functions that were not functioning properly or were not included in the 299 functional requirements, thus limiting full implementation of SPS. For example, SPS could not display and print multiple lines of accounting or issue orders under a blanket ordering agreement. The users also stated that, compared to legacy systems, SPS lacked adequate inquiry and print capability, adequate ad hoc and on-line reporting capabilities, and the ability to prepare stand-alone documents specifying changes.

   Army. We reviewed two Army pilot sites where operational testing was conducted. The Army Space and Missile Defense Command, Huntsville, Alabama, used SPS Version 4.0 with workarounds. Headquarters, Army Training and Doctrine Command, Fort Monroe, Virginia, did not accept SPS software after pilot testing because SPS did not provide all of the functions of

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[10]According to a DDP official, SPS was not designed to capture purchase card transactions because purchase cards are a payment vehicle and should be captured by an automated payment system. However, purchase card thresholds are expected to increase from $2,500 to possibly $100,000. A substantial increase in the purchase card threshold would likely eliminate many procurements that would be captured in SPS.

its legacy system and had 10 major software problems. The system frequently locked up, resulting in lost work; also, the system did not support indefinite-delivery-indefinite-quantity contracts.

Air Force. We visited 1 Air Force site that was responsible for migrating from 24 automated contracting systems to 1 system Air Force-wide. The Air Force planned to delay deploying SPS until it was satisfied with the system's functionality. In May 1998, the Air Force identified 46 critical system deficiencies that would adversely affect contracting functions, including the inability to apply multiple accounting classification reference numbers[11] to a contract line item number, to terminate contracts for cause, and to track contractor delinquencies. As of December 1998, the Air Force identified 90 individual functional mission-critical deficiencies preventing the deployment of SPS. However, the Air Force identified workarounds for 85 of the 90 items, and only 5 mission critical deficiencies remained for which adequate workarounds had not been identified.

Joint Interoperability Test Command. In July 1998, the Joint Interoperability Test Command, Fort Huachuca, Arizona, tested Version 4.0, the most recently deployed version of SPS, and determined that SPS Version 4.0 had deficiencies. The Joint Interoperability and Test Command "Follow-on Operational Test and Evaluation Report" on SPS Version 4.0 stated that SPS supported most simplified acquisitions, but that users had difficulty executing large purchase contracts using SPS Version 4.0 because of a significant number of system deficiencies, inaccuracies, and incomplete functions. The report concluded that SPS Version 4.0 was not operationally effective and not suitable for contracting offices supported by a procurement legacy system.

Continued Use of Legacy Systems. SPS should replace 12 major legacy systems. The systems were initially scheduled for retirement between FYs 1998 and 2000, but are currently scheduled for retirement no later than the end of FY 2001 (Appendix B). At 4 of the 12 sites where SPS was operational, procurement personnel stated that they would continue to use legacy systems until SPS met their functional requirements. Procurement personnel also indicated that they would continue to use legacy systems until deficiencies that they identified in SPS were resolved.

Efforts to Improve Requirements. Successful implementation of any system requires that users believe that critical functional requirements can be performed. Users are in the best position to determine whether a function is critical. DDP and SPS PMO officials acknowledged the concerns of SPS users regarding the adequacy of critical functional requirements and took steps to address user concerns. Specifically, in May 1998, the SPS PMO established a Requirements Board to reevaluate deficiencies identified by SPS users and

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[11]An accounting classification reference number relates the accounting classification to detailed line item information. DFARS part 204.7103-1(a)(4)(ii) allows the use of multiple accounting classifications for a contract line item in some situations.

changes needed in SPS to meet user needs. According to DDP and SPS PMO officials, the Requirements Board was addressing 36 enhancements that they determined to be valid functional requirements. They expected that SPS Version 5.0 would satisfy user concerns brought to the Requirements Board.

DoD Ability to Modify and Maintain SPS

The DDP opted to acquire SPS as commercial computer software, rather than as a custom-developed system with unique DoD specifications. SPS was one of the first major information systems procurement attributable to acquisition reform and streamlining. An acquisition strategy for commercial computer software normally limits the need for rights to modify and maintain the software because a commercial product should be usable as is. The DDP acknowledged that no existing commercial product would meet DoD requirements. However, the acquisition strategy concluded that a commercial computer software product with modifications would achieve procurement goals within desired time frames, and that the operational benefits of $1.8 billion should represent a high return on investment when compared to program cost. The DDP also acknowledged that the initial commercial AMS product would accomplish only 45 percent of DoD procurement functions, with 55 percent being accomplished through modifications of the commercial product.

By procuring SPS as a commercial product, DoD obtained limited rights to install, operate, and use SPS software to support DoD requirements for 30 years. DoD chose not to negotiate for additional rights, including any rights to the enhancements that DoD funds. Consequently, DoD is reliant on AMS throughout the life cycle of the system for modifications and maintenance of the software and related documentation.

Guidance on the Acquisition of Commercial Computer Software. Various Federal and DoD regulations provide guidance on the acquisition of commercial computer software. The SPS acquisition strategy stated that SPS was being acquired as a commercial item in accordance with FAR part 12, "Acquisition of Commercial Items." FAR part 12 is used for the acquisition of supplies and services that meet the definition of commercial items in FAR part 2, "Definitions of Words and Terms." According to FAR part 2, an item may be considered a commercial item even if minor modifications are required for the item to meet Federal requirements. FAR part 2 defines minor modifications as modifications that do not significantly alter the non-Governmental function or the essential physical characteristics of an item or component, or change the purpose of a process. At the DoD level, DFARS part 252.227-7014 states that software may be considered commercial computer software even if minor modifications are required to meet contract requirements.

FAR part 12 also states that Government buyers of commercial computer software receive the same restricted rights as buyers from industry to the extent that such licenses are consistent with Federal law and satisfy the Government's

needs.[12] Within DoD, DFARS subpart 227.72, "Rights in Computer Software and Computer Software Documentation," states that the contracting officer may negotiate greater rights if the Government has a need for rights not conveyed under the license customarily provided to the public.

The Benefits and Limitations of the Acquisition Strategy. The benefits of buying commercial items are lower life-cycle costs, more rapid development, proven capability, and increased competition. Minor modifications to commercial computer software are permitted if the modifications do not significantly alter the non-Governmental function or purpose or are of the type customarily provided in the commercial marketplace. The acquisition of SPS as a commercial product was questionable because SPS required major modifications to meet DoD functionality requirements and user needs. In addition, the acquisition strategy did not provide for negotiating to obtain license rights to modify and maintain the software over the life cycle of SPS.

Basis for Considering Greater Rights. The Government was not precluded from negotiating greater rights to satisfy its needs. Greater rights should have been negotiated for SPS, including a DoD agency license with rights to modify and maintain the software and the option to purchase the source code. According to the current licensing agreement, DoD obtained a specified number of licenses and cannot own more than the number of licenses specified. When determining the extent of additional modifications needed to meet user and mission-critical requirements, the SPS PMO should reevaluate the SPS contract for inclusion of a DoD agency license because the use of SPS will be mandatory throughout DoD. Without rights to modify and maintain the software, DoD may not be in a position to respond efficiently and effectively to new technology and changes in legislative requirements to meet the needs of SPS users. Also, DoD may not have control over changes to SPS that are needed because of interfaces with other systems. Purchasing the source code would provide DoD with the flexibility to modify and maintain the software using DoD personnel or another contractor at a lower cost. DoD has the in-house infrastructure to perform maintenance and configuration control of the software. For example, DLA personnel provide in-house software modification and maintenance for various DoD systems, including the Mechanization of Contract Administration Services system and the DLA Pre-Award Contracting System.

As currently contracted, DoD must rely on AMS for the life cycle of the system. However, AMS may determine in the future that they no longer want to upgrade and maintain SPS. In that case, DoD would have to redevelop or assist another contractor in developing a new procurement system from the beginning. DoD would not be able to contract for or internally make necessary enhancements to SPS because the current licensing agreement with AMS precludes the Government and other contractors from using any ideas,

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[12]Before the implementation of FAR part 12, DFARS 211.70 allowed for the inclusion of tailored licenses in solicitations for commercial computer software if the licenses offered to the public were not in the Government's interests.

procedures, class definitions, or templates from the software or any of its enhancements (including Government-funded enhancements) to create a new software package or an enhancement.

For a major automated information system such as SPS, DoD should be able to modify, maintain, and upgrade the software during the system's life cycle to reduce dependence on a single contractor for life-cycle support and increase the ability to make changes to the system at a reasonable cost. The SPS PMO should evaluate the costs and benefits of obtaining a DoD agency license, including rights to modify and maintain the software during the system's life cycle and the option to purchase the source code and appropriate technical documentation,[13] and, if appropriate, renegotiate the SPS contract.

Negotiation of Greater Rights. In an example of negotiating greater rights for commercial computer software, the Defense Finance and Accounting Service (DFAS) purchased commercial computer software in June 1998 for the Defense Procurement Payment System (DPPS), a financial management system for calculating contractor payments. In contrast to the SPS contract, DFAS negotiated an option to purchase the most current source code for a one-time fee, and a DoD agency license for application software that allows for license rights to modify and maintain the application for its life cycle. Thus, DFAS can adjust DPPS to changes in technology and legislative requirements without relying on a single contractor and can make needed adjustments to the software using DoD personnel or another contractor at a lower cost.

The SPS contract can be renegotiated. As such, the SPS PMO should evaluate the costs and benefits of obtaining rights and options such as those in the DPPS contract. Specifically, the AMS contract should be renegotiated, if appropriate, to include:

- a DoD-wide license with rights to modify and maintain the commercial computer software and related documentation, including enhancements, modifications, changes, and the database software; and

- an option to purchase the commercial computer software (source code) and appropriate technical documentation for the last increment, with the right to modify and maintain it at DoD discretion for SPS purposes for the life cycle of the system as defined by DoD.

Clarity of Guidance. DoD guidance on the acquisition of commercial computer software for major automated information systems was not clear. DoD guidance was not clear on the applicability of commercial computer software to accomplish multiple functions unique to DoD; the extent of modifications that would be considered minor; and contractual considerations such as acquiring license rights and the option to purchase the source code.

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[13]Documentation includes, but is not limited to, requirements specifications; design descriptions; database descriptions; product specifications; source code listings; test plans, descriptions, and reports; development plans; programming manuals; user manuals; and maintenance manuals.

The ASD(C³I) is responsible for establishing acquisition policies and procedures for automated information systems. Because guidance for the acquisition of commercial computer software is unclear, the ASD(C³I) should develop DoD guidance for determining when and to what extent commercial computer software should be used for major acquisitions of automated information systems. In developing guidance, the ASD(C³I) should include parameters for determining the extent of minor modifications appropriate for commercial computer software acquisitions. In addition, guidelines should be established on contractual considerations such as the acquisition of license rights to modify and maintain the software and related documentation, and the option to purchase source code and appropriate technical documentation. The ASD(C³I) should also develop a means of collecting and disseminating lessons learned from ongoing acquisitions of commercial computer software or commercial derivatives for major automated information systems.

Standardizing Policies, Processes, and Procedures

According to the SPS Mission Needs Statement, more than 47,000 DoD procurement personnel will use SPS. Therefore, standardization is important to ensure the consistent implementation and use of SPS and facilitate cross-functional processes and data sharing. Standardization may be accomplished through the development of standard policies, processes, and procedures for using SPS. To date, standardization has not been fully achieved. Rather, standardized policies, processes, and procedures are limited to guidance provided by AMS. AMS provides general user guides and systems administrator guides.[14]

In the absence of DoD guidance, DoD organizations are developing their own policies, processes, and procedures for SPS use and deployment. For example:

- The Naval Air Warfare Center, China Lake, California, has developed standard operating procedures for using SPS and has placed them on the World Wide Web. The procedures include instructions for creating delivery orders, developing milestone plans and checklists, and importing and exporting documents that were not originally created in SPS.

- The Navy Public Works Center, Norfolk, Virginia, has developed standard operating procedures that include help desk procedures, templates for contract clauses for various large and simplified acquisition purchases, and approvals for awards and modifications.

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[14]The general user guide provides general instructions for generating a contract and does not provide functional information or correct specific deficiencies previously addressed. The systems administrator guide provides a system overview and discusses security, templates, and system maintenance.

- The Naval Air Systems Command, Patuxent River Naval Air Station, Maryland, is developing a centralized process for SPS deployment to ensure that SPS is used consistently throughout the command.

According to a DDP official, the standard procurement policies, processes, and procedures are those already contained in the FAR and DFARS, and standardization at the DoD Component level was not the intent of the acquisition strategy. The SPS program manager maintains that the DoD Components are responsible for reengineering the business process, determining how their process should work, and how SPS should be implemented at the Component level to meet requirements unique to each Component.

Customer Support

Effective implementation of large, complex information systems requires substantial customer support to ensure that the system is implemented correctly, and that users are knowledgeable in using the system and have access to customer support that responds to their questions and maintains the system. According to the SPS Program Implementation Plan, AMS is to provide an initial needs assessment at each DoD site, user training after initial SPS installation at each site, user and system administrator guides, and access to a 24-hour help desk to respond to technical questions.

According to SPS users, user training, guidance, and help desk support have not been adequate. Specifically, AMS has not provided adequate answers to specific technical questions about the database used for SPS and different operating systems,[15] and adequate training for users and system administrators to prepare them for using SPS or administering a relational database.

SPS User Efforts. SPS users at DoD Components and individual sites stated that to overcome the system's functional deficiencies and inadequate customer support, they were awarding separate contracts to AMS for additional customer support. For example:

- As of July 1998, users at 6 of the 25 sites paid more than $937,000 on separate contracts with AMS for additional implementation support, data conversion, training, data migration, and interface requirements to support SPS.
- For FY 1998, the Navy Program Executive Officer for Information Acquisition Systems requested a $6.2 million budget for centralized Navy implementation of SPS, including a help desk to be staffed with Navy personnel.

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[15]SPS uses the Sybase relational database software, and SPS user sites use various operating systems including UNIX and Windows NT.

- The Navy SPS Component Management Office contracted with AMS for $2.2 million in FY 1998 for contractor support from AMS for data management, enhanced help desk support, data integration, and training.

- The Army has identified an unfunded requirement of $18.4 million for SPS implementation services not provided for in the SPS contract.

SPS users expect that substantially more will be spent if additional customer support is not provided under the existing PMO contract with AMS. The Air Force Contracting Information Systems Program Office also estimated that DoD organizations may spend $70 million[16] for additional contractor support for SPS implementation that is not covered in the AMS contract. SPS life cycle and program costs for FYs 1995 through 2005 were estimated at $2.9 billion. However, the costs of additional customer support are not included.

Workarounds. Navy, Marine Corps, and Air Force users have developed workarounds to overcome critical functional deficiencies in SPS. The workarounds included the use of legacy systems, other software, and manual processes that increased their workloads and caused inefficiencies in the use of SPS. For example:

- The Naval Air Systems Command initiated workarounds to perform 166 functions such as contract formatting, search and display, and system administration. The Naval Air Systems Command users stated that these workarounds have significantly reduced productivity by slowing down contract processing through repetition of work and creating additional work.

- Although the Air Force has not yet deployed SPS, it has identified 85 workarounds to perform critical functions, including the inability to release awards without sufficient funds and the inclusion of correct contract clauses.

Responsibility for Customer Support. The SPS PMO is responsible for monitoring AMS performance, including customer support. Users provide feedback to the PMO on the adequacy of customer support through each DoD Component's management office. In May 1998, the SPS Program Manager stated that he was unaware that additional contracts were awarded to supplement AMS support. After becoming aware of the additional contracts, the SPS Program Manager made plans to assess the installation and training for SPS to improve customer support. The SPS Program Manager should survey users to identify problems in training, guidance, and help desk support provided by AMS. Using the survey, the SPS Program Manager should identify and implement steps needed to improve customer support in these areas and develop an effective user feedback mechanism to improve communication of customer support problems to the PMO.

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[16]The Air Force estimated the additional liability for Army and the Air Force at $25 million each and for the Navy at $20 million.

Oversight of Life-Cycle Support. The Secretary of Defense's report to Congress, "Actions to Accelerate the Movement to the New Workforce Vision," April 1, 1998, discussed program manager oversight of life-cycle support. The report stated that once a system is fielded, a program manager tends to lose control of significant portions of the funding required for support, and system support is divided among many agencies. The report concluded that, in this environment, the program manager has no incentive during development and modification to design features into the system to improve reliability and customer support.

For SPS, beyond the training and customer support provided under the AMS contract, each DoD Component was responsible for funding and obtaining additional training, workarounds, and customer support. A significant number of SPS users stated that they have sought or will seek additional support. The SPS PMO should analyze the type and extent of SPS workarounds, training, and other support for DoD Component organizations and DoD agencies, and identify a contracting strategy to reduce the need for user sites to negotiate separate contracts with AMS. The contracting strategy should include:

- the requirement for user sites to report to their SPS Component Management Offices the contracts they have awarded and intend to award for additional services from AMS;

- the requirement for SPS Component Management Offices to report to the PMO details on additional contracts for SPS, including services to be provided and estimated costs;

- a procedure for the PMO to review each additional contract to verify that the services being contracted are not already covered by the current contract; and

- a procedure for the PMO to adjust the SPS life-cycle costs to include additional costs for contracts awarded and planned for SPS by the DoD Components and sites.

Opportunity for Improvement

SPS was one of the first major commercial software acquisitions using FAR part 12, and like any major automated system acquisition, it has experienced unforeseen problems. To be successfully implemented, a system must meet both mission needs and user requirements. The DDP and the SPS PMO have taken a substantial step toward standardizing and automating the DoD procurement process by acquiring SPS. We acknowledge that the DDP wished to obtain a commercial item, and we support the use of commercially available products when they meet DoD needs. Using a commercial product can be an appropriate acquisition strategy if the software substantially meets the functional requirements. When the commercial SPS product only met 45 percent of DoD procurement functions, the appropriateness of such an acquisition strategy for SPS became questionable. Further, to maintain SPS and accommodate functional requirements throughout the life of the system, DoD is dependent on

AMS because the contract did not allow DoD to purchase the source code and provide DoD with adequate rights to the commercial computer software and related documentation.

Inspector General, DoD, Report No. 96-219, "Allegations to the Defense Hotline Concerning the Standard Procurement System," September 5, 1996, cautioned that the SPS acquisition strategy added considerable risk to the program and that user needs might not be met. Some of the risk has been mitigated through the establishment of the SPS Requirements Board. However, risk still exists because the software has required substantial development. Although user needs are being addressed, current use of the system is reasonably dependent on workarounds. Additional costs are being incurred outside of the SPS contract with AMS to resolve technical problems, obtain additional customer support, and develop workarounds.

Using lessons learned from the acquisition of SPS, guidance should be established and implemented on the use of commercial computer software for acquiring major DoD information systems, including parameters for determining the extent of minor modifications appropriate for commercial computer software acquisitions and contractual considerations such as license rights and source code ownership. In addition, user requirements need to be reevaluated, and consideration should be given to modifying the SPS contract. Because substantial effort and funds continue to be expended to make SPS fully functional, the contract should be renegotiated as appropriate to obtain rights to modify and maintain the SPS software and related documentation. The contract should also allow DoD the option to purchase the most current source code (including enhancements, modifications, and changes) and database software, as well as maintenance rights to the software. With license rights to modify and maintain the software and related documentation, DoD could provide the computer software to another contractor to operate and maintain the software and make further enhancements.

Recommendations, Management Comments, and Audit Response

1. We recommend that the Assistant Secretary of Defense for Command, Control, Communications, and Intelligence establish and implement guidance on the appropriate use of commercial computer software for major acquisitions of automated information systems within DoD, including:

    a. Parameters for determining the extent of minor modifications appropriate for acquisitions of commercial computer software.

    b. Contractual considerations such as the acquisition of license rights to modify and maintain the software and related documentation, and ownership of source code and appropriate technical documentation in computer software and modifications.

c. Lessons learned from ongoing acquisitions of commercial computer software or commercial derivatives for major automated information systems.

ASD(C³I) Comments. The Assistant Secretary agreed to develop and issue guidance regarding the acquisition of commercial off-the-shelf software in major automated information system acquisition programs. The guidance will address the topics listed in the recommendation.

DLA Comments. DLA agreed that lessons have been learned from the SPS program, including the need to gain an up-front understanding of the commercial business architecture and processes. DLA stated that an assessment also should be made of whether the DoD business architecture and processes can be adapted to meet the commercial capabilities or must be fundamentally changed to support the DoD way of doing business. DLA also stated that any investment in an information technology solution must be directly linked with clearly stated business objectives and performance-based measures of success.

Audit Response. Comments from the ASD(C³I) and DLA were responsive. However, we request that ASD(C³I) provide a completion date for issuing the guidance in its comments on the final report.

2. We recommend that the Director, Defense Procurement, direct the Standard Procurement System Program Manager within the Defense Logistics Agency to:

a. Survey users to identify problems in training, guidance, and help desk support provided by American Management Systems, Inc.; identify and implement steps needed to improve customer support in these areas; and develop an effective user feedback mechanism to improve communication of customer support problems to the PMO.

DDP Comments. The DDP disagreed with the need for a survey of users and stated that the degree of support and training required for SPS implementation varied with the type of contracting performed at a particular site and the computer proficiency of the work force at the site. The DDP also stated that a common level of support was obtained from AMS and that the Military Departments and Defense Agencies must provide for their unique requirements. The DDP stated that nothing in the report suggested that AMS was not complying with its contractual obligations. The DDP also stated that the draft report recognized that the SPS PMO had a mechanism in place to obtain user feedback on AMS support, and the DDP did not believe the recommended actions were necessary.

DLA Comments. DLA partially agreed with the need for a survey of users, acknowledged past problems with training, and identified various improvements made between October 1997 and January 1999. DLA stated that the program manager has established an integrated product team from the SPS program office and AMS training personnel to identify areas for improvement in the training and support provided to SPS customers. The SPS program manager addressed each training class in FY 1999 and received valuable feedback to

identify areas for improvement. The SPS PMO also initiated business process assessments for early field-level involvement in SPS product capabilities and training. The early field-level involvement resulted in better understanding of the SPS capabilities designed into Version 4.1, and several DoD Components were able to make more predictable FY 1999 installation and training commitments to the program office. The comments also indicated that the business process assessments conducted by the PMO between November 1998 through January 1999 did not highlight any training or help desk areas that needed further improvements. DLA agreed that there is a need for not only the SPS program manager, but also the DoD Components' planning offices, to determine how to better share the responsibilities among the program office, the contractor, and the Components.

Audit Response. The DDP and DLA comments were partially responsive. We agree that the degree of support and training varies based on the type of contracting performed and the level of computer proficiency. The PMO acknowledged problems with training and has taken steps to improve it. However, additional actions can be taken to improve customer support in the areas of training, guidance, and help desk support. Although the DLA comments did not address guidance, the comments implied a need for guidance to clarify the responsibilities of the program office, the contractor, and the DoD Components. The existence of separate contracts for training and help desk support indicated a need for improvement in this area. The PMO needs to address problems with guidance and help desk support by establishing a formalized mechanism for user feedback that includes surveying users. Surveying users to identify common requirements may decrease the need for separate contracts and result in cost savings. However, a mechanism for formal user feedback would allow the PMO to more efficiently address user concerns about training, guidance, and help desk support, including clarifying the level of support contracted with AMS and the support that the DoD Components and Defense agencies are responsible for providing. We request that the DDP and DLA reconsider the need to survey users and develop an effective mechanism for user feedback. We request that the DDP provide additional comments in response to the final report.

  b. Evaluate the costs and benefits of obtaining a DoD-wide license with rights to modify and maintain the software and related documentation and of purchasing the software (source code) and appropriate technical documentation.

  c. Renegotiate the Standard Procurement System contract with American Management Systems, Inc., if appropriate, to include:

    (1) A DoD-wide license with rights to modify and maintain the software and related documentation, including enhancements, modifications, changes, and the database software.

(2) The option to purchase the software (source code) and appropriate technical documentation for the last increment with the right to enhance, modify, change, and maintain it at DoD discretion for the life cycle of the Standard Procurement System, as defined by DoD.

DDP Comments. The DDP disagreed with evaluating the cost and benefit of obtaining a DoD-wide license and modification and maintenance rights, and with renegotiating the contract. The DDP stated that obtaining the rights to modify and maintain the commercial software was considered, but not adopted. The DDP indicated that if DoD obtained software rights at a reasonable cost, the competition for making the modifications would be impracticable because of the constantly changing procurement environment. The DDP also stated that the Government would have to establish an in-house infrastructure to maintain software configuration control, perform enhancements or modifications, and provide training and support to a constantly changing user base. The DDP further stated that the costs of developing staff and the supporting infrastructure were avoided by having the software developer perform those services. The DDP stated that reliance on the commercial sector to maintain a commercial product is consistent with DoD acquisition polices.

Audit Response. The DDP comments were not responsive. The DDP comments did not address obtaining a DoD-wide license. DoD purchased a specified number of licenses and cannot own more than the number of licenses specified in the current licensing agreement. Because the use of SPS will be mandatory throughout DoD, the DDP should direct the program manager to reevaluate the contract to include a DoD agency license. Obtaining maintenance rights does not require that DoD establish a supporting infrastructure. At present DoD is locked into sole-source support over a 30 year life-cycle for a system that is over 50 percent non-commercial. Obtaining additional rights at a reasonable price will permit DoD to have some leverage during contract negotiations. Maintenance, configuration control, software enhancements, and training can be performed by in-house or contractor personnel. Without an evaluation, DoD will not know if using existing in-house capabilities or another contractor could be more cost-effective if DoD owned the source code and maintenance rights. However, at this time, DoD must accept the prices and terms presented by the existing contractor. Although the reliance on the commercial sector is consistent with DoD acquisition policies, the commercial sector can be relied on without restricting the Government to a single contractor over the life of the system. Also, the DDP comments did not address future maintenance concerns at the conclusion of the SPS contract with AMS, or at the end of the system's life-cycle. We request that the DDP reconsider her position and provide additional comments in response to the final report.

DLA Comments. DLA partially concurred with the recommendations to evaluate the costs and benefits of obtaining additional licensing and rights, and if appropriate, renegotiating the SPS contract. However, it was not clear to DLA how the data rights would improve the post-deployment support of SPS, and which DoD organization would be given the authority, staffing, and technical skills to assume life-cycle support responsibilities for SPS. DLA

stated that an evaluation would need to address post-deployment support alternatives and strategies, program office and contractor resources, and alternatives to renegotiating the contract.

Audit Response. The DLA comments were partially responsive. DLA suggested a willingness to analyze the costs and benefits of obtaining additional licenses and rights. We recommend that a cost-benefit analysis be performed because the Government is paying for 55 percent of DoD procurement functions to be incorporated into the commercial product without any rights to modify or maintain the software. Because other user requirements are being added to the system and future requirements are likely, DoD needs the option of having the current contractor, another contractor, or in-house personnel modify and maintain the system, whichever is in the best interest of DoD. The cost-benefit analysis should consider the contract term and license expiration, as well as the effects of reliance on a single contractor for the life of the system.

d. Analyze the type and extent of Standard Procurement System workarounds, training, and other support for DoD Component organizations and DoD agencies; and identify a unified contracting strategy to reduce the need for user sites to negotiate separate contracts with American Management Systems, Inc. The contracting strategy should include:

(1) The requirement for user sites to report to their Standard Procurement System Component Management Offices contracts they have awarded and intend to award for additional services from American Management Systems, Inc. in support of the Standard Procurement System.

(2) The requirement for Standard Procurement System Component Management Offices to report to the Program Management Office details on additional contracts for the Standard Procurement System, including services to be provided and estimated costs.

(3) A procedure for the Program Management Office to review each additional contract to verify that the services being contracted are not already covered by the current contract.

(4) A procedure for the Program Management Office to adjust the Standard Procurement System life-cycle costs to include additional costs for contracts awarded and planned for the Standard Procurement System by DoD Components and sites.

DDP Comments. The DDP did not agree with the recommendation to reduce the need for site-related support contracts with AMS. The DDP stated that a common level of support was purchased and that the Military Departments and Defense agencies would have to provide for their unique requirements. The comments also stated that the acquisition strategy considered the different types of contracting actions performed at contracting sites and the significant variance in computer proficiencies, and that those differences could not be accommodated with a generic plan for deployment, support, and training. The

DDP did not support interjecting the SPS PMO into support requirements unique to the DoD Components and Defense agencies. However, the DDP supported developing accurate life-cycle cost estimates for SPS. The comments stated that the DDP would remind the Military Departments and Defense agencies of their need to provide the SPS PMO with an accurate assessment of all SPS deployment-related costs at the next SPS steering group meeting.

Audit Response. The DDP comments were partially responsive. We agree that the separate contracts of the DoD Components included some unique requirements, but if the PMO analyzes the separate contracts, a determination can be made as to whether the requirements are unique or represent a common level of support. The PMO needs to be aware of the additional contracts to avoid duplication of services and related costs, and to improve the accuracy of life-cycle cost reporting. What we are asking for is unified management of a commercial service. Unified management is where a single contracting officer is responsible for negotiating all contracts from a single contractor for a commercial service. Unified management for commercial items is described in Public Law 105-261, Strom Thurmond National Defense Authorization Act for Fiscal Year 1999, October 17, 1998, Section 803, paragraph (b). We believe because of the economies of scale and effectiveness, the same principles should apply to commercial services in support of one automated information system. We request the DDP reconsider her position and provide additional comments in response to the final report.

DLA Comments. DLA partially concurred, stating that not only the SPS PMO should be directed solely to obtain a more integrated view of the DoD Components' individual contracting arrangements with AMS; the DoD Components should also be so directed. DLA stated that DoD Components should send the PMO their requirements and accompanying funds for the types of support services that are not addressed in the program funding baseline. DLA also stated that integrating the DoD Components' needs and having the DoD Components send their funds through the SPS PMO will improve integration within the program and the achievement of program goals and objectives. In addition, the SPS PMO, with AMS, will be able to better optimize limited technical and functional resources and integrate the DoD Components' requirements with the SPS program manager's objectives.

Audit Response. We consider the DLA comments responsive. We support the PMO working with the DoD Components to review and analyze the separate contracts to avoid duplicate costs.

Appendix A. Audit Process

Scope

Work Performed. We performed the audit at the SPS PMO at Headquarters, DLA, and at 25 Navy, Marine Corps, DLA, and other DoD agency sites. We also reviewed the two Army operational test sites where pilot testing was conducted, and one Air Force site that was responsible for migrating the Air Force to a single automated contracting system. In addition, we attended the Navy SPS User's Conference at Seattle, Washington; the Air Force SPS User's Conference at San Antonio, Texas; and the Army Full Operating Capability SPS Ribbon-Cutting Ceremony and Conference at the Army Space and Missile Defense Command, Huntsville, Alabama.

Limitations to Audit Scope. The audit was mainly limited to the review of Navy, Marine Corps, and other DoD agency sites that had installed SPS. We performed a limited review at two Army sites and one Air Force site.

DoD-wide Corporate-Level Government Performance and Results Act Goals. In response to the Government Performance and Results Act, the Department of Defense has established 6 DoD-wide corporate-level performance objectives and 14 goals for meeting these objectives. This report pertains to achievement of the following objective and goal.

> **Objective:** Fundamentally reengineer the Department and achieve a 21st century infrastructure. **Goal:** Reduce costs while maintaining required military capabilities across all DoD mission areas. **(DoD-6)**

DoD Functional Area Reform Goals. Most major DoD functional areas have also established performance improvement reform objectives and goals. This report pertains to achievement of the following functional area objectives and goals.

> **Information Technology Management Functional Area. Objective:** Reform information technology management processes to increase efficiency and mission contribution. **Goal:** Institute fundamental information technology management reform efforts. **(ITM-3.2)**

General Accounting Office High-Risk Area. The General Accounting Office has identified several high-risk areas in DoD. This report provides coverage of the Defense Contract Management and Information Management and Technology high-risk areas.

Methodology

We reviewed documents critical to the implementation of SPS, including DoD policies and procedures and SPS program documents. We also reviewed user and installation

guides, deployment plans, strategies, acceptance test plans, and site surveys. We met with SPS users and system administrators and obtained standard operating procedures, information on the costs of additional contracts, minutes of meetings, and an understanding of user concerns and problems with implementing SPS, as well as documentation to support the concerns and problems expressed.

Universe and Sample. At the time of our audit, the universe of organizations that had installed SPS included Navy, Marine Corps, DLA, and other DoD agency sites. That universe included approximately 5,184 licenses at 97 deployment sites. We judgmentally selected 25 sites based on the number of users, the length of time SPS had been implemented, and location for maximum regional coverage. The sites selected were in Washington, D.C., Maryland, Virginia, Florida, and California, and represented approximately 45 percent of the universe. We also reviewed the two Army operational test sites where pilot testing was conducted and, we visited one Air Force site that was responsible for migrating the Air Force to a single automated contracting system.

Audit Period and Standards. This program audit was performed from February 1998 through December 1998 in accordance with standards implemented by the Inspector General, DoD. Fieldwork was conducted at Headquarters, DLA, and at 25 Navy, Marine Corps, DLA, and other DoD agency sites; two Army sites; and one Air Force site. The audit did not rely on computer-processed data or statistical sampling procedures.

Contacts During the Audit. We visited or contacted individuals and organizations within DoD and the SPS contractor, AMS, in Fairfax, Virginia. Further details are available upon request.

Management Control Program

DoD Directive 5010.38, "Management Control (MC) Program," dated August 26, 1996, requires DoD organizations to implement a comprehensive system of management controls that provides reasonable assurance that programs are operating as intended and to evaluate the adequacy of the controls.

Scope of Review of Management Control Program. We reviewed the adequacy of management controls in place for SPS. Specifically, we reviewed the implementation of DoD policies and procedures governing SPS. We reviewed management's self-evaluation applicable to those management controls.

Adequacy of Management Controls. We identified material management control weaknesses as defined by DoD Directive 5010.38. Management controls were not adequate to ensure that commercial computer software for major automated information systems was obtained only when appropriate and adequate license rights and ownership options had been negotiated for purchases of modified commercial computer software. Management controls also were not adequate to ensure that SPS was consistently implemented and used throughout DoD, and that the contractor was adequately monitored for customer support and accurate calculation and control of life-cycle costs. All recommendations in this report, if implemented, will provide adequate controls for

purchasing modified commercial computer software for major automated information systems; for providing standard guidance for the use of SPS; and for monitoring contractor performance and the life-cycle costs of SPS. A copy of this report will be provided to the senior official responsible for management controls in the ASD(C³I), the DDP, and the DLA.

Adequacy of Management's Self-Evaluation. Corporate Information Management Initiatives, including SPS, were addressed in the DLA Annual Statement of Assurance for FY 1997. However, SPS was addressed only as a partial solution to the material weakness of unmatched disbursements. DLA officials did not identify SPS as an assessable unit, and therefore did not identify or report the material management control weaknesses identified by the audit.

Summary of Prior Coverage

During the past 5 years, the General Accounting Office and the Inspector General, DoD, issued two reports that discussed the Standard Procurement System.

General Accounting Office Report No. GAO/AIMD 98-40, OSD Case No. 1509, "Financial Management, Seven DoD Initiatives That Affect the Contract Payment Process," January 30, 1998.

Inspector General, DoD, Report No. 96-219, "Allegations to the Defense Hotline Concerning the Standard Procurement System," September 5, 1996.

Appendix B. Retirement Schedule for Legacy Systems

	Initial Scheduled Retirement	Anticipated Retirement
Navy		
Automation of Procurement and Accounting Data Entry (APADE)	FY 1998	FY 2001
Standard Automated Contracting System (SACONS)	FY 1998	FY 2001
Base Contracting Automation System (U.S. Marine Corps) (BCAS[USMC])	FY 1999	FY 2001
Integrated Technical Item Management Procurement (ITIMP)	FY 2000	FY 2001
Army		
Standard Army Automated Contracting System (SAACONS)	FY 1998	FY 2001
Procurement Automated Data and Document System (PADDS)	FY 2000	FY 2001
Air Force		
Air Force Materiel Command Suite (AFMC Suite)	FY 2000	FY 2001
Base Contracting Automation System (BCAS)	FY 1999	FY 2001
Acquisition Management Information System (AMIS)	FY 2000	FY 2001
Defense Logistics Agency		
Base Operating Supply System (BOSS)	FY 1998	FY 2001
DLA Pre-Award Contracting System (DPACS)	FY 1999	FY 2001
Defense Contract Management Command		
Mechanization of Contract Administration Services (MOCAS)	FY 2000	FY 2001

Appendix C. Report Distribution

Office of the Secretary of Defense

Under Secretary of Defense for Acquisition and Technology
   Deputy Under Secretary of Defense (Logistics)
   Director, Defense Procurement
   Director, Defense Logistics Studies Information Exchange
Under Secretary of Defense (Comptroller)
   Deputy Chief Financial Officer
   Deputy Comptroller (Program and Budget)
Under Secretary of Defense (Policy)
Assistant Secretary of Defense (Public Affairs)
Assistant Secretary of Defense (Command, Control, Communications, and Intelligence)

Department of the Army

Auditor General, Department of the Army

Department of the Navy

Assistant Secretary of the Navy (Financial Management and Comptroller)
Auditor General, Department of the Navy

Department of the Air Force

Assistant Secretary of the Air Force (Financial Management and Comptroller)
Auditor General, Department of the Air Force

Defense Organizations

Director, Defense Contract Audit Agency
Director, Defense Finance and Accounting Service
Director, Defense Logistics Agency
Director, National Security Agency
   Inspector General, National Security Agency
Inspector General, Defense Intelligence Agency

Non-Defense Federal Organizations and Individuals

Office of Management and Budget
General Accounting Office
   National Security and International Affairs Division
      Technical Information Center

Congressional Committees and Subcommittees, Chairman and Ranking Minority Member

Senate Committee on Appropriations
Senate Subcommittee on Defense, Committee on Appropriations
Senate Committee on Armed Services
Senate Committee on Governmental Affairs
House Committee on Appropriations
House Subcommittee on Defense, Committee on Appropriations
House Committee on Armed Services
House Committee on Government Reform
House Subcommittee on Government Management, Information, and Technology, Committee on Government Reform
House Subcommittee on National Security, Veterans Affairs, and International Relations, Committee on Government Reform

Assistant Secretary of Defense for Command, Control, Communications, and Intelligence

OFFICE OF THE ASSISTANT SECRETARY OF DEFENSE
6000 DEFENSE PENTAGON
WASHINGTON, DC 20301-6000

March 31, 1999

COMMAND, CONTROL,
COMMUNICATIONS, AND
INTELLIGENCE

MEMORANDUM FOR DIRECTOR, FINANCE AND ACCOUNTING DIRECTORATE, DODIG

SUBJECT: Draft Audit Report on the Initial Implementation of the Standard Procurement
System (Project No 8FG-2011)

We appreciate the opportunity to comment on the subject draft report. The only recommendation in the report that is directed to the Assistant Secretary of Defense for Command, Control, Communications, and Intelligence is as follows:

RECOMMENDATION 1: We recommend that the Assistant Secretary of Defense for Command, Control, Communications, and Intelligence establish and implement guidance on the appropriate use of commercial computer software for major acquisitions of automated information Systems within DoD, including:

a. Parameters for determining the extent of minor modifications appropriate for acquisitions of commercial computer software.

b. Contractual considerations such as the acquisition of license rights to modify and maintain the software and related documentation, and ownership of source code and appropriate technical documentation in computer software and modifications.

c. Lessons learned from ongoing acquisitions of commercial computer software or commercial derivatives for major automated information systems

We concur in the above recommendation and agree to develop and issue guidance regarding the acquisition of commercial, off-the-shelf software in major automated information system acquisition programs. The guidance will address a number of topics, including those listed above

The report's remaining recommendations are directed to the Director, Defense Procurement (DDP) and to the SPS Program Manager (PM). We will defer to the DDP and the SPS PM regarding those recommendations and the finding. However, we have reviewed the PM's proposed response and agree with it

My point of contact is Mr. David Mullins at 703-604-1564.

Marvin J Langston
Deputy Assistant Secretary of Defense
(CIO Policy and Implementation)

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Director, Defense Procurement

THE UNDER SECRETARY OF DEFENSE

3010 DEFENSE PENTAGON
WASHINGTON, DC 20301-3010

ACQUISITION AND
TECHNOLOGY

DP/MPI   April 2, 1999

MEMORANDUM FOR INSPECTOR GENERAL

SUBJECT: Audit Report on the Initial Implementation of the
           Standard Procurement System (Project No. 8FG-2011)

     I appreciate the opportunity to comment on the draft SPS
implementation audit report and have attached comments addressing
Recommendation 2.   I am concerned that several of the IG
recommendations fail to consider the rationale behind the SPS
acquisition strategy.

     The SPS acquisition strategy development and source
selection were joint activities involving Military Department,
Defense Agency, and Office of the Director of Defense Procurement
personnel.   The Navy was responsible for source selection.

     The possibility of obtaining rights to modify and maintain
the commercial software was considered but not adopted.   A
contractor cannot be compelled to sell those rights and can
charge whatever the market will bear for a license that includes
those rights.   Assuming rights could be obtained at a reasonable
price, competition for downstream modifications was considered
impracticable because the continually evolving procurement
environment makes it difficult to determine the scope and
complexity of, and a reasonable price for, the work to be
performed.   In-house maintenance was considered impractical
because it requires a supporting infrastructure without any
assurance that the Government could perform the work at a lower
cost, including recovery of the non-recurring license rights
cost, than might be negotiated with the software developer.

     DoD acquired commercial software from AMS and planned
modular enhancements to add functions needed for unique DoD
contracting requirements.   The product baselines for each module
have been reviewed continuously to address new statutes,
regulations, and policy changes such as Paperless Contracting and
Electronic Document Access.   Each deliverable module could be
used by some contracting activities but no contracting activity
will receive a "fully functional" version of the software until
the last scheduled product delivery.   The baseline for that

delivery is under joint Military Department, Defense Agency, and SPS Program Office review.

Each Department and Agency is responsible for deploying a version of SPS that meets the needs of each of its contracting activities and coordinating software deployment and training schedules with infrastructure and other site unique needs.

Eleanor R. Spector
Director of Defense Procurement

Attachment
(as stated)

Director of Defense Procurement Comments
Audit Report on the Initial Implementation of the Standard
Procurement System (Project No. 8FG-2011

Specific Comments, Recommendation 2.

Recommendation 2.

We recommend that the Director, Defense Procurement, direct the Standard Procurement System Program Manager to:

a. Survey users to identify problems in training, guidance, and help desk support provided by American Management Systems, Inc.; identify and implement steps needed to improve customer support in these areas; and develop an effective user feedback mechanism to improve communication of customer support problems to the PMO.

Response.

The degree of support and training required for SPS implementation varies with the type of contracting performed at a particular site and the site work force's computer skill proficiency. Therefor, a common level of support was obtained from AMS and the Military Departments and Defense Agencies must provide for their unique requirements. Page 13 of the draft report recognizes that the SPS PMO has a mechanism in place to obtain user feedback on AMS' support. There is nothing in the report that suggests AMS is not complying with its contractual obligations. Therefore, I do believe the proposed actions are necessary.

b. Evaluate the cost and benefit of obtaining a DoD-wide license with rights to modify and maintain the software and related documentation and of purchasing the software (source code) and appropriate technical documentation.

c. Renegotiate the Standard Procurement System contract with American Management Systems, Inc., if appropriate, to include:

(1) A DoD-wide license with rights to modify and maintain the software and related documentation, including enhancements, modifications, changes, and the database software; and
(2) The option to purchase the software (source code) and appropriate technical documentation for the last increment with the right to enhance, modify, change, and maintain it at DoD

discretion for the life cycle of the Standard Procurement System, as defined by DoD.

<u>Response</u>.

I do not support these recommendations. Either recommendation requires DoD to establish an in-house infrastructure to maintain software configuration control, perform software enhancements or modifications, and provide training and support to a constantly changing user base. The costs to develop and staff that infrastructure are avoided by having the software developer perform those services. Reliance on the commercial sector to maintain a commercial product is consistent with DoD acquisition policies. Also, AMS does not have to sell us proprietary source code or technical documentation.

d. Analyze the type and extent of Standard Procurement System workarounds, training, and other support for DoD Component organizations and DoD agencies; and identify a contracting strategy to reduce the need for user sites to negotiate separate contracts with American Management Systems, Inc. The contracting strategy should include:
(1) the requirement for user sites to report to their Standard Procurement System Component Management Offices contracts they have awarded and intend to award for additional services from American Management Systems, Inc. in support of the Standard Procurement System;
(2) the requirement for Standard Procurement System Component Management Offices to report to the Program Management Office details on additional contracts for the Standard Procurement System including services to be provided and estimated costs;
(3) a procedure for the Program Management Office to review each additional contract to verify that the services being contracted are not already covered by the current contract; and
(4) a procedure for the Program Management Office to adjust the Standard Procurement System life-cycle costs to include additional costs for contracts awarded and planned for the Standard Procurement System by DoD Components and sites.

<u>Response</u>

(a)   I do not agree with the general recommendation to reduce the need for site related support contracts with AMS. The SPS acquisition strategy considered the different types of contracting actions performed at our contracting sites and the significant variance in computer skill proficiency among the

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procurement workforce. Those differences could not be accommodated within a generic deployment, support, and training plan. Therefore, we procured a common level of support and training services with the understanding that the Military Departments and Defense Agencies would acquire any unique support they needed.

(b) Each Military Department and Defense Agency must train, equip, and support its employees to accomplish the Department's or Agency's missions. Therefore, I do not support recommendations (d)(1) through (d)(3) that require me to interject the SPS PMO into Department and Agency unique support requirements.

(c) I support developing accurate life cycle cost estimates for the SPS and, at the next SPS Steering Group meeting, will remind the Military Departments and Defense Agencies of their need to provide the SPS PM with an accurate assessment of all SPS deployment related costs.

Defense Logistics Agency

DEFENSE LOGISTICS AGENCY
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REPLY
REFER TO   DDAI

APR 2 9 1999

MEMORANDUM FOR ASSISTANT INSPECTOR GENERAL FOR AUDITING,
DEPARTMENT OF DEFENSE

SUBJECT: Draft Audit Report on the Initial Implementation of the
Standard Procurement System (Project No. 8FG-2011)

This is in response to your January 29, 1999, request. If you
have any questions, please contact Dave Stumpf, (703)767-6266.

Encl

SHEILA P. RAINES
Team Leader, Liaison and Policy
Internal Review Office

SUBJECT: Draft Audit Report on the Initial Implementation of the Standard Procurement System

FINDING: Effectiveness of the Standard Procurement System Implementation.
The Standard Procurement System (SPS) has not provided some critical functions to meet user needs or the mission need to replace legacy systems In addition, DoD will not be able to modify or maintain the SPS software and related documentation Also, SPS may not meet the mission need to standardize procurement policies, processes, and procedures. Further, users of the SPS are not receiving adequate customer support. These conditions are occurring because:

- DoD guidance on the acquisition of commercial products for major automated information Systems was not clear.

- The Director, Defense Procurement, selected an acquisition strategy to purchase commercial computer software that requires substantial modifications.

- The SPS acquisition strategy of purchasing commercial computer software limited DoD rights to modify and maintain the software.

- The Director, Defense Procurement, has not developed standard policies, processes, and procedures for using the SPS

As a result, DoD organizations may expend up to $70 million on additional customer support and workarounds[9] have been developed to make SPS functional. Implementation and use of the SPS is being delayed In addition, DoD is dependent on the contractor for life-cycle support to modify and maintain SPS The SPS program is at risk of not meeting the overall objective of a fully functional, DoD-wide, standard procurement system

The DoD IG DRAFT report does not recognize the evolutionary software approach to developing the complete SPS and meeting the functional area goal expressed in the Mission Needs Statement (MNS). The MNS functional area goal is achievement of standard automated business processes and shareable data. Thus, a complete SPS becomes a JOINT standardized automated business process based system, and not a system that replicates individual legacy business processes and legacy contracting systems. The evolutionary software approach recognizes that the COTS foundation of the SPS must be enhanced in pre-determined increments, based on the pre-determined deployment environment for a given increment. It is true, that a given increment of SPS may not have all required capabilities for all procurement (deployment) environments. And thus, one could conclude that critical SPS functions are not being delivered. However, reaching such a conclusion without acknowledging the evolutionary approach and the existence of a well-defined strategy to achieve the complete SPS, does not provide a balanced view regarding the effectiveness of the SPS Implementation, and the consequent ability to achieve the functional area goal of a Joint SPS.

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Equally important, is that there is no recognition of the fact that since the initial definition of the SPS requirements' baseline and placement of the baseline on the SPS contract, that the Military Departments have re-defined and increased the requirements' baseline. The Components' continuous re-definition of "what constitutes a complete SPS" has been a root cause of the increased time to deliver SPS capabilities. There is also no recognition of the fact that the Components are now requiring changes to the original SPS requirements' baseline in order for the SPS to either: (1) provide automated capabilities that exist within legacy contracting systems; or, (2) to require the SPS to provide automated capabilities that do not exist in any legacy contracting system, but which are viewed by the Components as mission critical productivity functions.

The conclusion that the Military Departments may expend up to $70 million on additional customer support and workarounds to make SPS functional is not supported by factual data. Additionally, the conclusion does not recognize that the Military Departments are expending additional funds in order to supplement their limited headquarters and field-level staffs and skills. The Components' expenditure of funds is necessary for the Components to fulfill their program strategy and execution responsibility for deliberate and integrated SPS deployment planning "down to the site level." The Components' expenditure of funds is also needed for the Components' to fulfill their responsibility for building the employment concepts of operations that incorporate the SPS JOINT standardized automated business processes into the Components' legacy business process environments. The incorporation of SPS processes into legacy environments is a critical aspect of the Components' cultural change management that clearly must accompany the fielding of SPS software.

Summarizing, the report does not recognize a fundamental aspect of the evolutionary development of a commercial product with ingrained automated business processes in order to achieve JOINT standard business processes. In the case of SPS, the Components now better understand the commercial business processes and have decided that these commercial business processes will not fulfill DoD operational mission needs. Thus, the commercial product has to be changed; this takes time and money, and has also created the view that the SPS is not delivering required capabilities. On the other hand, the Components now want the SPS to provide capabilities that were not initially defined in the requirements' baseline; this also takes more time and money and reinforces the view that SPS does not have needed capabilities. Finally, the Components are expending additional funds to fulfill their responsibilities on the program for deliberate, integrated planning and to affect cultural change management. All of these factors are natural consequences of evolving commercial automated business practices to fulfill DoD needs.

INTERNAL MANAGEMENT CONTROL WEAKNESS:
(X) Nonconcur.

RECOMMENDATION 1: We recommend that the Assistant Secretary of Defense for Command, Control, Communications, and Intelligence establish and implement guidance on the appropriate use of commercial computer software for major acquisitions of automated information Systems within DoD, including:

 a. Parameters for determining the extent of minor modifications appropriate for acquisitions of commercial computer software.

 b Contractual considerations such as the acquisition of license rights to modify and maintain the software and related documentation, and ownership of source code and appropriate technical documentation in computer software and modifications

 c Lessons learned from ongoing acquisitions of commercial computer software or commercial derivatives for major automated information systems

DLA concurs that there are considerable lessons learned from the SPS program. DLA defers to C3I for implementation of the recommendations. However, consequent to the view expressed on the IG finding, DLA offers the following two major considerations.

The first major consideration involves the true understanding of pursuing a commercial product and then evolving the commercial product to meet DoD unique needs. For future acquisitions, the most important aspect for the Using Commands of an automated system is gaining the up-front understanding of the commercial business architecture and processes. Once there is a clear understanding of the commercial business architecture and processes, then a very careful assessment needs to made of whether the DoD business architecture and processes can be adapted to meet the commercial capabilities; or, whether the commercial architecture and processes must be fundamentally changed to support the DoD way of doing business. This will then set the proper level of expectation with the end-user and assist with the cultural change management that must accompany the acceptance of a commercially based system.

A second major consideration must be that any investment in an information technology solution (e.g., the SPS) must be directly linked to clearly stated business objectives, which are in turn linked to performance based business outcome measures of success. In the SPS effort, there is no clear linkage to business objectives and performance based business outcome measures of success. Since the acquisition strategy was formed and the contract awarded, the Components' have developed business area objectives and measures of success that were not originally part of the desired and defined SPS capabilities. To iterate an example: Many Components now want SPS to provide workforce productivity enhancing capabilities in addition to JOINT standard automated business processes. The SPS program and requirements baseline were not established to achieve productivity enhancements, but the Components have now openly stated that the SPS is not providing mission critical capabilities.

DISPOSITION: N/A for DLA

RECOMMENDATION 2: We recommend that the Director, Defense Procurement, direct the Standard Procurement System Program Manager to:

a. Survey users to identify problems in training, guidance, and help desk support provided by American Management Systems, Inc.; identify and implement steps needed to improve customer support in these areas; and develop an effective user feedback mechanism to improve communication of customer support problems to the PMO.

DLA partially concurs with Recommendation 2 (a). The Program Manager has established a process to identify areas for improvement in the training and support provided to the SPS customer. Since 1QFY98, the effectiveness of the AMS administered training has been evaluated using a student completed training evaluation form. This form consists of both Likert-type questions and open-ended questions. The forms are then evaluated by a combined SPS program office and AMS training continuous Improvement IPT to identify areas for improvement. In addition, the SPS program office established a training IPT with Component end-user involvement. This IPT was established during 2Q-3QFY98. The training IPT recommended several improvements to the AMS training materials. Some of these improvements are just now being delivered to the field users in FY 99. A prime example is the Components' need to better understand the data flows and relationships within the SPS product. In response to Component needs, there is now an on-line SPS process and data flow capability available to the SPS end-users.

Furthermore, the SPS PM has addressed every CON 301 class conducted during FY 99. The SPS PM has received valuable feedback from SPS users who attend these classes and uses the feedback to identify areas for improvement. The major area that needs improvement based on the interaction with CON 301 attendees is the Components' deliberate and integrated planning of SPS installation with the training of the systems administrators and the training of the end-users. A recurring theme is that the Components are sending people to SPS training, and when trained people return to the workplace there is no SPS product installed.

The SPS program office also initiated business process assessments between Nov 98 and Jan 99, in order to obtain early field level involvement in the SPS product capabilities and training. The Nov 98-Jan 99 assessments focused on deploying the SPS Version 4.1 during 2Q-3Q FY99. These assessments were very successful. As a result of better understanding the SPS capabilities designed into Version 4.1, and better understanding the inherent business and system architecture limitations of the SPS version, several of the Components were able to make more predictable FY 99 installation and training commitments to the program office. These commitments are adding stability to the program's FY 99

execution. The Nov 98–Jan 99 business process assessments did not highlight any training or help desk areas that needed further improvements.

The cited example is meant to be constructive from the following standpoint. There must be recognition within Recommendation 2 (a) that the Components have the responsibility to provide the program office with the requirements for installation and training which are coordinated down to the site level. In turn, the program office and the contractor (AMS) have the responsibility to fulfill the Components' requirements with the defined SPS capability, effective training, and appropriate help desk support.

Thus we concur there is a need for not only the SPS PM, but also the Components deployment planning offices, to revisit how to improve the deployment and employment process and shared responsibilities among the program office, the contractor, and the Components.

> b Evaluate the cost and benefit of obtaining a DoD-wide license with rights to modify and maintain the software and related documentation and of purchasing the software (source code) and appropriate technical documentation
>
> c Renegotiate the Standard Procurement System contract with American Management Systems, Inc , if appropriate, to include:
>
> > (1) A DoD-wide license with rights to modify and maintain the software and related documentation, including enhancements, modifications, changes, and the database software; and
> >
> > (2) The option to purchase the software (source code) and appropriate technical documentation for the last increment with the right to enhance, modify, change, and maintain it at DoD discretion for the life cycle of the Standard Procurement System, as defined by DoD.

DLA partially concurs with the Recommendations 2 (b) & (c) to evaluate the costs and benefits associated with a DoD license with rights to modify and maintain the SPS, and if appropriate then renegotiate the contract and obtain greater data rights for the DoD.

While there is always an opportunity to obtain greater data rights, it is not clear how these data rights would improve the post-deployment support of SPS nor is it clear which DoD organization would be given the authority, the staffing, and technical skills to "take-over" life-cycle support of the SPS.

If there is a genuine need to renegotiate the SPS contract, then a full Acquisition Strategy Panel (ASP) must be convened. The ASP must consist of the procurement Components' representatives as Using Commands, but must also consist of the acquisition disciplines commonly associated with the ASP

process; and In particular, there must be experienced ASP membership that can address post-deployment support of COTS-based software, COTS relational data bases, and the Integration with third party pure commercial products (e.g., Micro Soft, COGNOS, etc.). Once the ASP has completely deliberated the post-deployment support alternatives and agreed to a DoD based post deployment strategy, then limited program office and contractor resources should be reassigned from other SPS priorities to address cost, benefits and contract re-negotiation alternatives associated with transitioning to a DoD life-cycle management strategy.

    d   Analyze the type and extent of Standard Procurement System workarounds, training, and other support for DoD Component organizations and DoD agencies; and identify a contracting strategy to reduce the need for user sites to negotiate separate contracts with American Management Systems, Inc, The contracting strategy should include:

        (1) the requirement for user sites to report to their Standard Procurement System Component Management Offices contracts they have awarded and intend to award for additional services from American Management Systems, Inc in support of the Standard Procurement System;

        (2) the requirement for Standard Procurement System Component Management Offices to report to the Program Management Office details on additional contracts for the Standard Procurement System including services to be provided and estimated costs;

        (3) a procedure for the Program Management Office to review each additional contract to verify that the services being contracted are not already covered by the current contract; and

        (4) a procedure for the Program Management Office to adjust the Standard Procurement System life-cycle costs to include additional costs for contracts awarded and planned for the Standard Procurement System by DoD Components and sites.

DLA partially concurs with Recommendation 2 (d), to obtain a more integrated view of the Components' individual contracting arrangements with AMS.

The SPS PM should not be solely directed. The Components must also be directed.

The SPS program can be improved by having the Components send to the program office the Components' requirements and accompanying funds for the types of support services, interface development, and database conversion solutions that are not addressed within the current program funding baseline. By integrating the Components' needs and by having the Components send their funds through the SPS PM, there will be improved integration within the program, and toward achieving program goals and objectives.

Additionally, the SPS PM with AMS will be able to better optimize limited technical and functional resources and focus on the right priority of Components' requirements that are integrated with the SPS PM's prioritized program

objectives, necessary to meet the Acquisition Program Baseline thresholds.

Disposition:
Recommendation 2(a) Actions on-going, ECD: 4QFY99
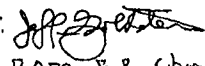Recommendation 2(b) & (c) Action pending
Recommendation 2(d) Action pending

ACTION OFFICER: Gary Thurston, DCMC-PAO, 767-6399
REVIEW/APPROVAL: Maj Gen T.P. Malishenko, USAF, DCMC, 767-2403
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Approved: _[signature]_ , Chief, DPAI   APR 2 3 1999
    For RADM E R. Chamberlin, SC, USN
       Deputy Director

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